

Internal Revenue Service

District
Director

Department of the Treasury

230 South Dearborn Street
Chicago, Illinois 60604



CERTIFIED
2 745 025 114

Employer Identification Number:

Person to Contact:

Telephone Number:

Refer Reply to:



Date: FEB 17 1995

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

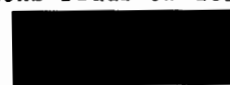
Your Articles of Incorporation state your purpose is to share knowledge and ideas which relate to the development of computer software systems using [REDACTED].

According to your application, Form 1024, your activities consist of monthly meetings and a newsletter. Presentations which pertain to research and technological data relevant to [REDACTED] are given at the monthly meetings. [REDACTED] is a specific type of computer software. The presentations are given by members or associates and include a discussion period. The newsletter submitted with your application contains various topics relating only to [REDACTED]. Your organization does not contemplate the use or dissemination of information relating to any other type of computer software.

Membership is open to any individual with an interest in [REDACTED]. Your income is derived solely from membership dues.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:



2/16/95

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder.

In Revenue Ruling 83-164, 1983-2 C.B. 95, a business league which was formed to assist members in the use of computers produced by the same manufacturer did not qualify for exemption under Section 501(c)(6) because it failed to meet the "line of business" test by narrowly promoting the business interest of one manufacturer to the exclusion of others in the same line of business.

In National Prime Users Group, Inc. v. United States of America, 667 F.Supp. 250, and Guide International Corporation, v. United States of America, CA-7, 90-2441, the courts concluded that a computer user group which narrowly promotes the business interest of one manufacturer fails the "line of business" test and does not qualify for tax exempt status.

Your organization is similar to the one described in the above Revenue Ruling. You are organized to promote the use of computer software produced by a single manufacturer. As in the Prime Users and Guide court cases, you failed the "line of business" test because your organization is engaged in activities which promote a specific brand rather than a line of business. Consequently, you do not qualify for exemption as a business league because you are not organized to improve a line of business, but to promote segments of an industry at the expense of others in the industry.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, annually with your District Director.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached

[REDACTED]

are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you do not protest this determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service".

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018